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SIPDIS

DEPT FOR EB/TPP/ABT - EDWARD HEARTNEY
COMMERCE FOR ITA/OTEXA/MARIA D'ANDREA

SENSITIVE

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SUBJECT: TURKISH TEXTILE AND APPAREL PRODUCTION AND
EMPLOYMENT DATA

Ref: (A) STATE 184238 (B) ADANA 112

SENSITIVE BUT UNCLASSIFIED. PLEASE HANDLE ACCORDINGLY.

¶1. (U) Ref A requested data on Turkish textile and apparel employment and production data for country beneficiaries of U.S. trade preference programs. The GOT and Turkey's leading business association in these sectors provided conflicting statistics, in part due to the large share of the informal economy in textile and apparel manufacturing.

¶2. (U) According to the General Secretariat of Istanbul Textile and Apparel Exporter's Association (IHKIB) and the Foreign Trade Undersecretariat (FTU), Turkey's total textile and apparel production will reach USD 30 billion in 2004. Of this, USD 24 billion is expected to be sold abroad. Of the USD 24 billion, USD 18.5 billion is sold as official exports, while the balance consists of unregistered "suitcase" trade with countries of the former Soviet Union.

¶3. (U) A Turkish Foreign Trade Undersecretariat official told us that the textile and apparel industry accounts for 13.5 percent of GNP and 18.7 percent of manufacturing production. These sectors' share is 11 percent of total employment and 30 percent of manufacturing sector employment. The sectors' share in total exports is 33.2 percent. IHKIB states that the textiles and apparel sectors account for 10.6 percent of the Turkish GDP, 20 percent of industrial production, 21 percent of the manufacturing labor force, and 37 percent of Turkey's total exports.
(Note: the official total employment figure is 19.9 million. End Note.)

¶4. (U) In 2003, Turkey's textile and apparel exports to the U.S. were USD 1.7 billion, or 3.6 percent of total exports (USD 47.1 billion). Turkey's textile and apparel exports to the U.S. account for 12 percent of its total textile and apparel exports. According to the IHKIB, which publishes the sector's trade data monthly, Turkey is the 19th-largest apparel supplier to the U.S. market, with a 1.8 percent share, and the 10th-largest textile supplier, with 2.9 percent share.

¶5. (U) Turkey is also the second-largest apparel supplier to the EU market, with a market share of 11.6 percent, and the fifth-largest textile supplier to the EU, with an eight percent market share. The EU's share in Turkey's total textile and apparel exports was 64.7 percent (USD 9.6 billion) in 2003 or 20.4 percent of Turkey's total exports. ITKIB claims Turkey will lose 30 percent of its EU market share after 2005, whereas FTU estimates a loss of about 20 percent.

¶6. (U) IHKIB contends that removal of quotas will cause 1 million workers to lose their jobs in Turkey, with annual export losses forecasted at USD 6 billion. Turkish exporters have lobbied to delay removal of quotas to 2008, and had received the support of industry associations in 52 countries so far, including in the U.S.

¶7. (SBU) FTU officials have told us that, while the GOT sympathizes with the position taken in the Istanbul Initiative, it has not officially endorsed a delay in removal of quotas.

¶8. (U) Embassy's points of contact on textile issues are Economic Officer Aldo Sirotic and Economic Specialist Defne Sadiklar. Both can be reached at telephone 90 312 455-5555.

Comment

¶9. (U) Sector-based employment data is difficult to obtain in Turkey. The National Statistics Institute (DIE) releases general employment data on a quarterly

basis. Its statistical methods are being questioned by international organizations such as the IMF and the World Bank. For sectoral employment data, post usually refers to business organizations' reports like the IHKIB's.

¶10. (U) Turkey's gray economy is large - by some estimates as large as the formal economy. The textiles and apparel industries depend on low-wage labor and a significant portion of the industry is outside the formal economy. While intensified competition may lead to job losses reflected in official statistics, it is likely that at least some of these jobs will shift from the formal to informal economy.

¶11. (U) In the Turkish business community, there is a very wide range of opinion as to the effect of fully integrating textiles and apparel into the WTO system, ranging from dire warnings of as many as two million jobs to be lost to others which believe that the impact will be much more limited. Embassy will report further on these prognoses in conjunction with the end of the quota system.

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